

VZCZCXRO2454
RR RUEHCN RUEHGH RUEHVC
DE RUEHGZ #0088/01 0190843
ZNR UUUUU ZZH
R 190843Z JAN 07
FM AMCONSUL GUANGZHOU
TO RUEHC/SECSTATE WASHDC 5707
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUCPDO/USDOC WASHDC
RUEAIIA/CIA WASHDC
RUEKJCS/DIA WASHDC
RHHMUNA/HQ USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 02 GUANGZHOU 000088

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [TBIO](#) [KTDB](#) [EAIR](#) [EIND](#) [EINV](#) [CH](#)

SUBJECT: Guangzhou Baiyun Development Forum: Promotion of Bio-tech, Real Estate, and Logistics Sectors

¶1. SUMMARY: Guangzhou's Baiyun District is stepping up efforts to develop its bio-technology, real estate, and logistics sectors. Officials will focus on developing the industrial zone surrounding the new Baiyun International Airport, strengthening the bio-medical and bio-engineering sectors, and promoting Baiyun's relatively clean environment to attract residential real estate development projects. While Baiyun enjoys a relative advantage over other areas in the biotechnology and real estate sectors, competition from Huadu and Panyu Districts in the logistics sector will still be fierce. Opportunities for U.S. businesses should remain strong despite Chinese efforts to cool down the economy by restricting investment. END SUMMARY.

Bio-tech Industry Development

¶2. Baiyun District plans to build a "Golden Triangle of Biological Science" with biomedicine, biological agriculture, and biological services as the respective points of the triangle. The Liuxi Bay Baiyun Biological Port will focus on bio-medicine, biological agriculture, and biological research. Manufacturing and marketing will also be done at Liuxi. Beijing Bioway Biotech Group Co. Ltd. is the first company to set up operations there. Guangzhou Baiyun Biological Medical Health Industrial Base will focus on bio-medical manufacturing. Guangzhou Pharmaceutical Co. Ltd, Baiyunshan Corporation, and over 30 other enterprises will set up operations there, making it the single largest medicine manufacturing center in China in terms of output. Helong Biological Service Area will be the conference site of the World Biological Economy Forum, holding exhibitions and fairs on bio-tech products.

¶3. In addition to the Golden Triangle, Baiyun will set up the Guangzhou 863 Industrialization Promotion Center, integrating a high-tech enterprise incubator, an industrial service platform, and a popular science media center. It will be one of only five such centers in China. Currently, 57 enterprises with a registered capital of RMB 480 million (USD 61.5 million) have been established under this plan. (Note: the State Hi-tech Research Development Plan, or "863 Plan," for the 11th Five-Year period has spawned projects dealing with biology, aerospace, information technology, lasers, automation, energy resources, and new materials across China. End Note).

¶4. Guangzhou Sinobioway Co. Ltd., the largest bio-engineering group in China, plans to set up a bio-engineering incubator in Baiyun. According to its president, the firm's BIOINTEL system (an integrated software system developed by Beijing Bioway Biotech Group Co. Ltd., combining language and logic processors, a search

engine, and databases) offers a comprehensive service on par with software from Intel, IBM, Microsoft, Oracle, and Google.

Real Estate Development

¶5. Along with Baiyun Mountain and Maofeng Mountain, Baiyun District is called "the lung and oxygen bar of Guangzhou." Baiyun authorities are promoting its relatively clean environment to attract residential real estate development projects. The biggest man-made lake in Guangzhou (to be named Baiyun Lake) will be built as a tourist site. Despite Ministry of Land Resources' directives in 2003 and 2006 to cut back on the development of high-end residential projects, Baiyun District plans to focus on building garden villas and apartments to attract wealthy residents.

¶6. In December 2006, the average price for residential housing in Baiyun District was RMB 6,965 (USD 893) per square meter. The average price in Guangzhou city was RMB 7,435 (USD 953) per square meter. While cheaper to purchase, some expats complain that Baiyun is too far of a commute from the heart of Guangzhou.

Logistics Development

¶7. Baiyun District has introduced a "two circles and three belts" plan. "Two circles" refers to developing airport industrial logistics and comprehensive logistics services; "three belts" refers to developing rail, road, and air transportation logistics services.

GUANGZHOU 00000088 002 OF 002

¶8. A representative from the Baiyun Airport Management Group said that in anticipation of continued passenger and cargo business growth, the Group plans to improve infrastructure in the nearby industrial zone. It will also accelerate cooperation with customs and other inspection agencies to improve efficiency. He added that China Eastern Airlines will establish an operations center at the airport and increase the number of its flights through Guangzhou, while China Southern Airlines will increase the number of its cargo flights early this year.

Logistics Development in Guangzhou

¶9. Baiyun's logistics development dovetails with the Guangzhou Municipal Government's plans for the next 5 years. Guangzhou plans to invest RMB 50 billion (USD 6.4 billion) to build an expressway network consisting of four ring roads and 16 highways leading to surrounding cities. Over RMB 18 billion (USD 2.3 billion) will be used for Phase II of Baiyun International Airport's development, to include a third runway, a second terminal, and facilities for FedEx's Asian-Pacific Transport Hub. Another RMB 26 billion (USD 3.3 billion) will be spent on the construction of channels in Guangzhou Harbor and of Nansha Harbor Phase III.

¶10. Guangzhou authorities are touting their "3+5" plan to build international and regional logistics zones. The three international logistics zones will be centered on Baiyun International Airport, Nansha Harbor, and Huangpu's port and rail facilities. The following five regional logistics zones will be developed:

- Baiyun Logistics Zone to focus on cargo, purchasing, and delivery.
- Huadu Logistics Zone to focus on road and rail transportation.
- Fangcun Logistics Zone to focus on wholesale companies.
- Panyu Logistics Zone to focus on road transportation.
- Zengcheng Logistics Zone to serve customers in Dongguan

and East Guangdong.

Growth and Investment in Baiyun District

¶11. Baiyun District's GDP reached RMB 50 billion (USD 6.4 billion) in 2005, the fourth highest in Guangzhou. In 2006, GDP is expected to reach RMB 57.5 billion (USD 7.37 billion), up 14%. In the first 10 months of 2006, Baiyun District attracted USD 157 million in contracted foreign investment. Multinational companies such as British home improvement chain B&Q and UPS have established a presence there.

Comment

¶12. Baiyun's biomedical and real estate sectors should see robust growth in the near-term. However, Baiyun faces intense competition from the neighboring districts of Huadu and Panyu, currently the two main logistics centers in Guangzhou. Huadu and Panyu have better infrastructure and also benefit from their proximity to the international airport, rail lines, and ports. Baiyun's development is a key element in Guangzhou's plans to expand growth in its surrounding districts. However, the competition for a piece of Guangzhou's development pie among the subordinate district governments is representative of the situation among cities in a province and among provinces in China.

GOLDBERG